

**REPORT OF THE AUDIT OF THE  
CRITTENDEN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**

*Romaine*  
and  
*Associates PLLC*

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CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF THE AUDIT OF THE  
CRITTENDEN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CRITTENDEN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2007**

Romaine & Associates, PLLC has completed the Crittenden County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$3,251 from the prior year, resulting in excess fees of \$26,274 as of December 31, 2007. Revenues increased by \$5,270 from the prior year and expenditures increased by \$2,019.

#### **Report Comments:**

- The Sheriff's Office Should Reconcile Monthly The Drug Enforcement Bank Account
- The Sheriff's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.

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The Honorable Fred Brown, Crittenden County Judge/Executive  
The Honorable Wayne Agent, Crittenden County Sheriff  
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Crittenden County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable Fred Brown, Crittenden County Judge/Executive  
The Honorable Wayne Agent, Crittenden County Sheriff  
Members of the Crittenden County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment(s) and recommendation(s), included herein, which discusses the following report comment(s):

- The Sheriff's Office Should Reconcile Monthly The Drug Enforcement Bank Account
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Crittenden County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

April 6, 2009

CRITTENDEN COUNTY  
WAYNE AGENT, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 1,214	
Cabinet For Health and Family Services	2,722	
Sheriff Security Service	<u>5,055</u>	\$ 8,991

Circuit Court Clerk:

Fines and Fees Collected		10,175
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Fiscal Court

3,947

County Clerk - Delinquent Taxes

554

Commission On Taxes Collected

96,757

Fees Collected For Services:

Auto Inspections	\$ 2,935	
Accident and Police Reports	765	
Serving Papers	16,630	
Carrying Concealed Deadly Weapon Permits	<u>2,206</u>	22,536

Other:

Advertising Cost and Sheriff's Fees	\$ 11,952	
Miscellaneous	<u>2,516</u>	14,468

Interest Earned

784

Borrowed Money:

State Advancement		54,901
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Total Revenues

213,113

Expenditures

Operating Expenditures:

Personnel Services-	
Deputies' Salaries	\$ 23,486
Office Deputy	23,104
Bailiff	460
Office Help	1,064
Contracted Services-	
Advertising	1,652

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY  
WAYNE AGENT, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2007  
(Continued)

Expenditures (Continued)

Materials and Supplies-			
Office Materials and Supplies	1,672		
Uniforms	521		
Cell phone	2,211		
Computer Expense	4,425		
Other Charges-			
Dues	330		
Postage	482		
Training	383		
Bond	421		
Carrying Concealed Deadly Weapon Permits	770		
Miscellaneous	1,533	\$	62,514
Debt Service:			
State Advancement			54,901
Total Expenditures		\$	117,415
Net Revenues		\$	95,698
Less: Statutory Maximum			66,038
Excess Fees		\$	29,660
Less: Training Incentive Benefit			3,386
Excess Fees Due County for 2007		\$	26,274
Payments to Fiscal Court -	May 29, 2008	\$	6,553
	June 19, 2008		6,947
	September 4, 2008		12,774
		\$	26,274
Balance Due Fiscal Court at Completion of Audit		\$	0

The accompanying notes are an integral part of this financial statement.



CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 4. Drug Enforcement Fund

The office of the Crittenden County Sheriff has a drug fund established by an order of the Circuit Court. Receipts result from the forfeiture of money, forfeiture of property, and court ordered payments from individuals. The funds are spent for supplies, equipment, vehicles, and drug awareness programs. The Drug Enforcement Fund's balance as of January 1, 2007 was \$6,640. Receipts totaled \$11,218 and expenditures totaled \$8,075 for the calendar year 2007. The balance at December 31, 2007 of the Drug Enforcement Fund was \$9,783.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Fred Brown, Crittenden County Judge/Executive  
Honorable Wayne Agent, Crittenden County Sheriff  
Members of the Crittenden County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Crittenden County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated April 6, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting-(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above to be a material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff's Office Should Reconcile Monthly The Drug Enforcement Bank Account

This report is intended solely for the information and use of management, the Crittenden County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

April 6, 2009

## COMMENTS AND RECOMMENDATIONS

CRITTENDEN COUNTY  
WAYNE AGENT, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The Sheriff's Office Should Reconcile Monthly The Drug Enforcement Bank Account

Upon completing the yearly bank reconciliation, we noticed that monthly bank statements for the Drug Enforcement Fund were not reconciled monthly. The State Local Finance Officer, under the authority of KRS 43.075, established minimum accounting requirements that include monthly reconciliations of the bank statements. We recommend the sheriff prepare monthly bank reconciliations for the Drug Enforcement Fund as required.

*Sheriff's Response: Started in 2008*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically open his cash receipts by mail, prepare the individual receipt tickets, and agree them with the daily checkout sheet. Then he should compare the daily bank deposit to the daily checkout sheet and to the receipts ledger for that day. Any differences should be reconciled. The Sheriff should document this review by initialing and dating the mail receipts, the bank deposit, the daily checkout sheet, and the receipts ledger for that day's business.
- The Sheriff should periodically perform a surprise cash count on his collections for the day. Any material or unusual differences should be resolved. The Sheriff should document this by initialing and dating the daily checkout sheet and the deposit slip.
- The Sheriff should periodically, and on a surprise basis, agree amounts on invoices with payment amounts on checks. Any differences found should be resolved. The Sheriff should document this comparison by initialing and dating the invoice.
- The Sheriff should compare the salaries listed on the quarterly financial report to the individual earnings records for accuracy. Any differences found should be resolved. The Sheriff should document this comparison by initialing and dating the quarterly financial report and the individual earnings records.
- The Sheriff should periodically, and on a surprise basis, compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff should document this comparison by initialing and dating the bank reconciliation and the balance in the checkbook.



CRITTENDEN COUNTY  
WAYNE AGENT, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS  
(Continued):

The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

- The Sheriff should each quarter compare his quarterly financial report to his receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff should document his comparison by initialing and dating the quarterly financial report and his ledgers.

*Sheriff's Response: The official gave no response.*